USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.09

Required Report - public distribution

Date: 8/26/2005

GAIN Report Number: IN5093

India

Poultry and Products

Annual

2005

Approved by:
Chad R. Russell
U.S. Embassy, New Delhi

Prepared by:
V. Shunmugam

Report Highlights:
Post forecasts India's 2006 poultry production to grow by 16 percent to 2.2 million tons, assuming better feed availability, the growing preference for birds with higher dressing yields, and relatively stable poultry meat prices.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
New Delhi [IN1]
[IN]

Table of Contents

Production 3
Production Developments 3
Consumption 3
Production Policy 4
Trade 4
Market Opportunities 4
Table 1: Trade Treatment for Poultry and Feed Ingredient Imports 5
Table 2: Commodity, Poultry, Meat, Broiler; PSD table 6

Production

India's broiler production is forecast to grow by 16 percent to 2.2 million tons in CY 2006, due to the likely larger availability of feed and the growing demand for poultry meat in response to affordable prices and rising consumer income. A trend toward forward integration in poultry operations, growing farmer preference for birds with higher dressing yields, and price stabilization measures initiated by the industry are also factors supporting production growth.

Production Developments

The broiler industry's forward integration, which had been confined largely to southern India, is now spreading into northern India due to higher profits for entrepreneurs, stable income for growers, and better production controls. Under this system, growers receive day-old chicks, feed, medicines, other services, and the assurance that their birds will be purchased at a contracted price. Input costs are deducted from the payment to the grower, and they are given an incentive bonus if the feed conversion rate (FCR) and/or mortality rate is better than the contracted level. This arrangement has encouraged a number of small farmers to enter the poultry business in order to supplement their income with a stable return on their investment.

Heavy losses incurred in north India in 2004 due to the Asian bird flu prompted poultry growers in this region to embrace vertical integration to revive the industry. These poultry farmers have now started paying increased attention to FCRs and nutrition and quality standards for feeds. In some areas, vertical integration was extended up to the retail level to improve profitability and to make poultry meat more affordable to consumers. It also helped entrepreneurs to control meat production through better-coordinated efforts aimed at overcoming problems of seasonality (less poultry is consumed in summer and during certain religious festivals).

Only, about eight percent of total poultry meat production in 2004 was processed, as consumers still prefer fresh meat. With rising incomes, changing lifestyles, and increased promotional efforts to popularize processed meat, its share is estimated to increase to nine percent in 2005. Many of the poultry integrators already have built, or are building, poultry processing facilities to produce chilled and frozen meat and products for the institutional and the retail segments. Some are looking at export possibilities to Asian and Middle Eastern countries by reducing costs and introducing strict bio-security measures.

Consumption of compound feed continues to grow alongside rising awareness among growers about its nutritional qualities and feed conversion efficiency, and is estimated at 4.8 million tons in 2004. According to trade sources, comparatively lower prices for soybean meal led to its increased usage in 2004, estimated at 1.5 million tons, up 15 percent over 2003. Corn prices remained higher due to lower production, with prices currently at $141 per ton. Industry sources estimate corn requirements by the compound feed sector to reach 15 million tons by 2010.

Consumption

Post forecasts poultry meat consumption in 2005 at 1.9 million tons, or 1.8 kg per capita. It is the major meat consumed in India and has wider regional acceptance, given the high price of mutton, cultural restrictions on consumption of pork and beef, and fish largely being confined to the coastal regions. Lower retail prices, resulting from expanding vertical integration, have also stimulated consumption. Integrators have established wholesale-and retail-price leadership in their markets, mostly in south India, by reducing the number of

middlemen and forcing wholesalers and retailers to reduce their margins. In other regions, particularly in the northern region, where the traditional wholesale traders still dominate the markets, the marketing margins and retail prices are considerably higher than in the south.

The Indian poultry industry remains primarily live bird-oriented, although there is a growing market for chilled products, especially in the restaurant and hotel sector. Most birds for home consumption are purchased live and slaughtered in small local shops. Movement of live poultry from the low-cost growing areas to high-cost consumption areas is constrained by the high mortality and high transport and shrinkage costs. This results in significant price variations. Frozen poultry meat product consumption is restricted by inadequate cold storage facilities, a lack of consumer preference, and high import duties. Although a shift toward chilled products is likely to continue in urban areas, in part due to slaughter restrictions imposed by major cities like Delhi due to waste disposal problems, frozen product demand growth will likely remain weak over the near-to-medium term.

Production Policy

Poultry receives far less government assistance than other agricultural sectors, a situation that limits the growth of the industry. It does not receive any government production subsidy. Poultry businesses are taxed at the same rates as industry, whereas agricultural income generally is tax-free. However, the government funds poultry research by government institutions and universities, and the Agricultural and Processed Products Exports Development Authority (APEDA) assists with infrastructure development for export. APEDA also provides an airfreight subsidy for exports of eggs and egg products, mostly to the Middle East. Poultry meat exporters are asking for the extension of airfreight subsidy for poultry meat, but their efforts are unlikely to succeed. Total government support for the poultry sector was rs. 105 million ($1.8 million) in Indian Fiscal Year 2004/05 (Apr-Mar), compared with rs. 98 million ($1.6 million) in 2003/04.

Trade

Table egg and egg powder exports from India are increasing due to cost competitiveness, improving hygiene standards, and logistical advantages. Poultry meat exports are relatively small, due to India's higher cost vis-à-vis Brazil, although several efficient poultry integrators are currently exploring the possibility of exporting to lucrative markets such as Japan, South Korea, and the Middle East.

Although there are no quantitative restrictions on imports of poultry meat, numerous unjustified sanitary conditions and high import tariffs constrain imports. Government policy allows imports of grandparent breeding stock and pureline stock on the basis of special permits issued by the Department of Animal Husbandry, Dairying, and Fisheries, Ministry of Agriculture. Grandparent hatching eggs and grandparent day-old chicks attract a 30.6 percent tariff. Feed additives such as lysine, methionine, and choline are mostly imported, as are Specific Pathogen Free eggs and vaccines and vaccine-related raw materials.

Market Opportunities

Despite increasing vertical integration and private investments in the poultry industry, most integrators do not have their own grandparent operations and are therefore potential regular importers of breeding stock. Most of the existing broiler breeds derive from American strains such as Cobb, Hubbard, Arbor Acres, and Hyline. The current changes in production conditions also provide an opportunity for US-based pureline genetics companies to start breeding operations in India. Although India is currently self-sufficient in corn, trade sources

forecast that the corn demand may outstrip supplies by 2010, creating export opportunities for US corn.

Table 1: Trade Treatment for Poultry and Feed Ingredient Imports

HTS Code	Commodity	Trade Policy	Tariff**
010511	Poultry Grand Parent Stock	Subject to Sanitary Import Permit*	30.6
0207	Poultry Meat (cuts and offal)	Subject to Sanitary Import Permit*	100.00 1/
0407	Eggs (Table/Hatching)	Subject to Sanitary Import Permit*	30.6
0408	Egg Yolks	Subject to Sanitary Import Permit*	30.6
100590	Corn for Feed	TRQ 2/	15.1/51.0
100700	Sorghum	State Trading	51.0
230120	Fish Meal	Subject to Sanitary Import Permit*	5.1
2306	Oil Meals	Free	15.3
2309 9020	Concentrates for Compound Feeds	Subject to Sanitary Import Permit*	30.6
2309 9010	Compounded Poultry Feed	Subject to Sanitary Import Permit*	30.6

1/ "Whole Birds, Dressed, Fresh/Chilled" (020712) attract a GATT-bound duty of 30.6 percent.

2/ Corn imports are subject to TRQ of 500,000 tons, with an in-quota tariff of 15.1 percent and out-of-quota tariff of 51.0 percent (inclusive of education cess).

* Livestock and livestock product imports are permitted with sanitary import permits issued by:
Joint Secretary (Trade)
Department of Animal Husbandry, Dairying, and Fisheries
Ministry of Agriculture
Krishi Bhawan
New Delhi – 110 001

** Inclusive of additional tariffs and educational cess, as applicable for the respective commodities.

Table 2: Commodity, Poultry, Meat, Broiler; PSD table

PSD Table							
Country	India						
Commodity	Poultry, Meat, Broiler				(1000 MT) (MIL HEAD)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	(MIL HEAD)
Slaughter (Reference)	0	0	0	0	0	0	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	1650	1650	1800	1900	0	2200	(1000 MT)
Whole, Imports	0	0	0	0	0	0	(1000 MT)
Parts, Imports	0	0	0	0	0	0	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	**1650**	**1650**	**1800**	**1900**	**0**	**2200**	(1000 MT)
Whole, Exports	0	5	0	0	0	1	(1000 MT)
Parts, Exports	0	0	0	0	0	0	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	0	0	0	0	0	1	(1000 MT)
Human Consumption	1650	1650	1800	1900	0	2199	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	1650	1650	1800	1900	0	2199	(1000 MT)
TOTAL Use	1650	1650	1800	1900	0	2200	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	**1650**	**1650**	**1800**	**1900**	**0**	**2200**	(1000 MT)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT)